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SUBJECT: USG ASSESSMENTS OF TERRORIST/INSURGENT FINANCE
OPERATING ENVIRONMENTS IN COUNTRIES NEIGHBORING IRAQ: JORDAN

REF: STATE 132693

Classified By: AMB. David Hale, Reasons 1.4 B and D.

11. (C) INTRODUCTION: This cable provides the assessment of Embassy Amman's country team of the terrorist/insurgent financing environment in Jordan. As instructed in reftel, post's response is divided into separate sections providing background information on the terrorist/insurgent operating environment in Jordan, the relevant legal regime, implementation of the enforcement of counter-terrorist/insurgent financing measures, and communication on these issues between governments and the government's public affairs approach to terrorist and insurgent groups in Iraq. END INTRODUCTION.

BACKGROUND INFORMATION

12. (S) The Jordanian authorities do not permit terrorist/insurgent travel facilitation, recruitment, web-hosting, or training in Jordan, and take prompt action against attempts to engage in such activities when they are uncovered. In addition, the Jordanian Government keeps close

tabs on former members of Saddam Hussein's regime residing in Jordan, including Saddam's daughter Raghda, and ensures that they do not engage in political activity or support insurgents. (Details on these issues appear in the following reports: TD-314/41352-06, TD-314/0260-06, TD-314/75409-05, TD-314/54132-05, TD-314/46592-05, TDX-315/46835-05, TD-314/43241-06, TD-314/07560-06, TD-314/44026-06, TD-314/56731-06, TDX-315/51399-06, TD-314/08482-06, TD-314/56560-06, TD-314-05855-05, TDX-315/36225-05, DX-315/38007-05, TD-314/30005-05, and TD-314/69793-05.) Aside from Raghda and Rana, there are no high-profile former regime figures in Jordan of which we are aware. It is a priority for Jordanian authorities to control financial institutions and borders, and the GOJ maintains close liaison relationships with USG intelligence agencies working on these and other issues.

LEGAL REGIME

Introduction

13. (SBU) Jordan has not yet criminalized money laundering and the financing of terrorism in a comprehensive manner, relying instead on a variety of domestic statutes and regulations that prohibit various aspects of these offenses. However, two draft laws currently before Parliament offer the potential to significantly increase Jordan's level of compliance with applicable UN Security Council Resolutions and Financial Action Task Force (FATF) best practices. An

anti-terrorism law passed August 27 also strengthens the Jordanian legal regime against the transfer of "clean" money to terrorists.

Current Legal Regime

14. (SBU) Money laundering is not criminalized under current Jordanian law with the exception of laundering using insurance instruments (Article 52 of the Insurance Regulatory Act of 1999). The financing of terrorism is only partially criminalized. While Jordan has ratified the International Convention for the Suppression of the Financing of Terrorism, the Jordanian Penal Code (Article 147) limits the scope of the prohibition against terrorism financing to banking transactions, stating that "any act relating to any banking transaction, in particular the deposit of funds in any bank in the Kingdom or in any financial institution engaging in banking operations, or the transfer of such funds by them to any party whatsoever, shall be deemed a terrorist offense if it emerges that such funds are suspect and related to terrorist activity." The provision of funds to terrorist groups outside of traditional banking channels (e.g. via alternative remittance providers, charities, etc.) is not specifically criminalized. Other, non-monetary support, including in-kind donations, is similarly outside the scope of the law.

15. (SBU) Article 93 of the Banking Law of 2000 provides the Government of Jordan with one of its most powerful tools to combat financial crime. This Article broadly obligates Jordanian banks and money exchange businesses to notify the Central Bank of Jordan if a transaction relating to any "crime or illegitimate act" is identified. (It is presumed that "crime" refers to any act criminalized under any Jordanian law; no definition is provided for "illegitimate act.") The Central Bank can then freeze the transaction or account for a period of 30 days during which time a referral is made to the Office of the Prosecutor General which can initiate a criminal investigation if the evidence points to a prima facie offense. The Banking Law applies only to banks and money exchange bureaus and, like Article 147 of the Penal Code, cannot be used to address funding that flows through

informal channels.

¶6. (SBU) The CBJ broadly interprets its authorities under Article 93, and has used it as the legal basis for an array of reporting requirements for banks and money exchange bureaus. Instructions No. 29/2006 and Instructions No. 10/2001 obligate banks and money exchange bureaus, respectively, to undertake a variety of customer due diligence, transaction monitoring and record keeping steps. The CBJ has also mandated the filing of suspicious activity reports (SARs) by banks and has developed, with the assistance of USAID, an automated SAR form that will soon go into effect. These steps have brought Jordan into partial compliance with the recommendations of the FATF, but the

absence of laws that comprehensively address money laundering and terrorism finance prevents full compliance.

¶7. (SBU) The Penal Code and the Banking Law constitute Jordan's implementing mechanisms for the enforcement of economic sanctions imposed by UN Security Council Resolutions. In its report to the UN concerning its sanctions capabilities, the GoJ indicated that its Customs Department possessed the authority to prohibit trade with persons designated pursuant to the UN Consolidated List of terrorists. Despite these legal authorities, there is no equivalent in Jordan to the United Nations Participation Act and the International Emergency Economic Powers Act, which allow for the administrative (vice criminal) enforcement of UN sanctions in the United States. Similarly, there is no Jordanian equivalent to the U.S. Office of Foreign Assets Control, the Treasury Department agency charged with enforcing economic sanctions.

¶8. (SBU) Article 147 of the Penal Code allows the Office of the Public Prosecutor to freeze funds pending investigation and, in the event of conviction, forfeiture is available by court order. Article 93 of the Banking Law empowers the CBJ to administratively freeze funds for a temporary period, but long term blocking/confiscation of funds depends on the Public Prosecutor obtaining a criminal conviction. Neither of these laws allows for the permanent administrative freezing of assets required by UNSCRs 1267, 1333, 1373, and ¶1617. Jordanian law also does not directly provide for the blocking of non-monetary property (e.g. real property, vehicles etc.) belonging to persons designated by the UN.

¶9. (SBU) As with terrorism, there is currently no legislation which allows for the direct implementation of UNSCRs 1483 and 1518 which require the blocking of assets and property of senior officials of the former Iraqi regime, their immediate family members, entities owned or controlled by them, and persons acting for or on their behalf. Funds could be frozen and ultimately confiscated, however, as part of a criminal investigation.

¶10. (SBU) The penalties under Article 147 of the Penal Code include forfeiture, imprisonment, hard labor and execution depending on the damage caused by the terrorist act. The penalties for financial institutions which violate CBJ instructions issued under the authority of the Banking Law of 2000 range from warning letters to fines (not to exceed 100,000 Jordanian Dinars or \$141,000 USD) to removal of bank officials and license revocation.

Proposed Legislation

¶11. (SBU) The draft Anti-Money Laundering Law (being considered in the current extraordinary session of the Jordanian Parliament) criminalizes the laundering of money derived from a wide array of predicate offenses. The law

creates a financial intelligence unit (FIU) within the CBJ, and a National Anti-Money Laundering Committee composed of senior representatives from a variety of GoJ agencies. The Treasury Department's Financial Crimes Enforcement Network

(FinCEN) has agreed to sponsor Jordan's FIU for membership in the Egmont Group of financial intelligence units, and Treasury's Office of Terrorism and Financial Intelligence -- in conjunction with the Office of Technical Assistance -- has detailed an attach to Embassy Amman to work with the CBJ on FIU development. Jordan assumes the presidency of the Middle East North Africa Financial Action Task Force in 2007.

¶12. (SBU) While the draft Anti-Money Laundering law lays the foundation for the creation of an FIU, on its own it fails to adequately address legitimate sources of terrorism finance (e.g. the use of "clean" -- vice criminally derived -- money to support terrorist activity). Jordanian officials believe that the Anti-Terrorism Law passed August 27 fills this gap by criminalizing the provision of direct or indirect financial support to terrorism. While this broad language is a significant improvement over current legislation, it does not provide a mechanism for administrative enforcement of UN sanctions (although it does provide for seizure of funds as part of the criminal investigation), and does not clearly criminalize the provision of funds with the intent that they be used in terrorist acts regardless of whether the attacks were actually carried out. The Anti-Terrorism Law also focuses exclusively on the criminalization of financial support to terrorism and does not reflect the broader prohibitions against the provision of economic resources contained in UNSCRs 1373 and 1617.

¶13. (SBU) There is currently no cross-border currency reporting mechanism in Jordan. However, Article 22 of the draft Anti-Money Laundering law mandates the creation of a cross-border currency reporting form. The CBJ has already begun discussions with the Customs Department concerning the development of the form.

IMPLEMENTATION

¶14. (C) To post's knowledge, no terrorist assets related to Al Qaida, Usama Bin Ladin or the Taliban, have been frozen in Jordan to date. NOTE: HAMAS has not been designated by the United Nations. HAMAS funds were frozen by the Central Bank of Jordan (CBJ) in 2003 at the request of the USG. END NOTE.

There is no provision in Jordanian law allowing for the administrative blocking of the physical property of persons designated at the UN. However, a successful criminal prosecution could result in the forfeiture of non-monetary assets.

¶15. (C) Cash couriers are not a regulatory/bank supervision problem. Post's assessment of the regulation of the formal financial sector and informal remittance sector is that banks, and to a lesser extent money exchange bureaus, are

subjected to comprehensive prudential supervision by the CBJ with the exception of certain statutory limitations (described in the previous section) which prevent full oversight in the AML/CFT arena. Banks and money exchange bureaus are subject to regular examination for "safety and soundness" and other compliance purposes. Despite the underdeveloped AML/CFT regime in Jordan, Jordanian banks have generally implemented sophisticated anti-money laundering and sanctions compliance programs, often voluntarily adhering to U.S. prohibitions and regulations in this area. In many respects, these banks, particularly the larger ones (e.g. Arab Bank, Cairo Amman Bank, Jordan National Bank, Jordan Kuwait Bank and Bank of Jordan) are ahead of the CBJ in terms of implementing financial crime countermeasures. Money exchange bureaus are less closely regulated, although they are subject to a licensing regime. However, U.S. Treasury is currently assisting the CBJ in the development of revised AML/CFT procedures for this industry. The Central Bank has expressed its intention to identify and regulate any informal remittance providers (i.e. hawalas) that may be operating in Jordan and providing unlicensed remittance services to Iraq.

¶16. (C) Under UNSCR 1483, the GoJ froze \$620 million in Iraqi

assets in 2003. The GoJ delivered \$250 million of those funds to the Development Fund for Iraq (DFI) over the period 2003-2004. Of the remaining balance, at Iraqi government request \$60 million was kept to serve as the working capital of the Iraqi-owned Rafidain Bank in Amman. The balance was paid to Jordanian companies to cover commercial claims by those companies lodged against Iraqi entities. This was done through a long and detailed process in which the GoJ carefully reviewed the companies' claims and required a specific set of documentation for each claim to be considered for compensation. In addition, the GoJ agreed that, if the Iraqi Government is able to provide documentation proving that any of the claims are invalid, it will recover the funds and deliver them to the DFI.

¶17. (S) The Embassy was in regular contact with the GoJ in pressing for release of these funds in the 2004-2005 period. In addition, the Embassy was directly involved in the repatriation of a Falcon 50 jet owned by the former Iraqi regime's intelligence service and being held in Jordan. The jet was once owned by an Iraqi front company, Aviatrans Anstalt, registered in Liechtenstein. After a long process, the GoJ released the aircraft to the Government of Liechtenstein for repairs. Liechtenstein's UN Ambassador officially handed over control of the aircraft to the Iraqi Ambassador to the UN in Geneva on December 5, 2005.

COMMUNICATION

¶18. (S) King Abdullah and the GoJ view the stabilization of Iraq as a vital national security interest for Jordan. Jordan is an outspoken critic of violent extremism and publicly condemns terrorist acts and ideologies. King

Abdullah's readiness to confront terrorists ideologically with efforts like the Amman Message, and tactically, through intense cooperation with our CT agencies, may have made Jordan an even more desirable target for terrorists than its previously was. Since the November 2005 hotel bombings and the August 2005 Aqaba rocket attacks, Jordanian security forces have significantly stepped up their efforts to prevent the movement of extremists to and from Iraq and Syria by screening travelers for terrorist links.

¶19. (U) On August 27 2006, Jordan's parliament passed an anti-terrorism law that authorizes the GoJ to freeze the assets of persons suspected of terrorist activities (septel).
HALE